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welcome to: understanding tax



about us.

We are a leading financial wellbeing and retirement specialist - helping those in the workplace to improve their financial future.

Established in 2005, we work with hundreds of organisations across both the private and public sector.

Our financial education services are delivered on a bespoke basis.

what we'll cover today.

- Tax on your income
- Understanding your payslip
- Tax allowances
- Tax on your estate
- Next steps

tax on your income.

what gets deducted from my salary?



- HMRC use a system called 'Pay As You Earn' (PAYE) to collect Income Tax and National Insurance
- The taxes will be deducted from your pay by your payroll department
- Some benefits are tax free
- Salary and other benefits are not
- You may have other deductions such as Student Loan repayments too

rates of income tax 2022/23.

Personal Allowance

on the first
£12,570*



£12,570*

Basic Rate Tax

on the next
£37,700



£50,270

Higher Rate Tax

on the next
£99,730



£150,000

Additional Rate Tax

on earnings above
£150,000



*The Personal Allowance reduces by £1 for every £2 of income above £100,000.

National Insurance 2022/23.

Lower Earnings Limit (LEL)

Primary Threshold (PT)

Upper Earnings Limit (UEL)

National Insurance Rate: 0%
Qualifying Year : ✗

£0 - £6,396

National Insurance Rate: 0%
Qualifying Year : ✓

£6,396 - £9,880

National Insurance Rate: 13.25%
Qualifying Year : ✓

£9,880 - £50,270

National Insurance Rate: 3.25%
Qualifying Year : ✓

£50,270+

repaying a student loan.

- Student Loan repayments are collected via PAYE
- 9% of salary that exceeds the current threshold is used to pay off your loan
- If you have not repaid in 30 years – the debt is wiped

Post **2012** loans

£27,295

Applies to post 2012 loans. Threshold amounts are reviewed on 6 April every year.

repaying a student loan.

Post **2012** loans

£27,295 and under – no repayment

£27,296+ repay **9% on any earnings over the threshold** per month

£30,000 £20.29 per month

£40,000 £95.29 per month

£50,000 £170.29 per month

*If you started your course prior to September 2012, your repayment threshold will be different

Common tax codes.

Standard
1257L

The standard tax code for most employees in 2022/23

Emergency
Ending in:
W1, M1 or X

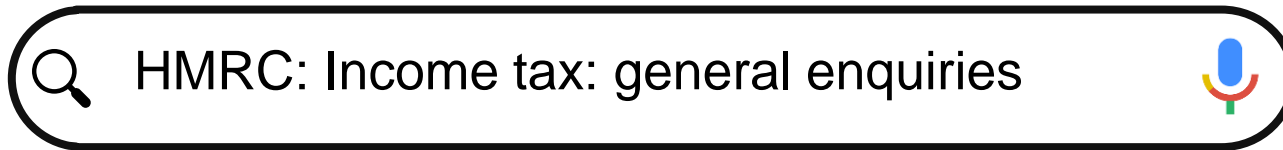
You may have started a new job or be in receipt of company benefits.

Other
Starting:
K

You could be receiving benefits you need to pay tax on.

how to fix an error.

If you believe your tax code is incorrect you should contact HMRC.



Monday to Saturday: 8am to 8pm

Sunday: 9am to 5pm



Webchat



@HMRCcustomers (general enquiries only)

Monday to Friday: 8am to 6pm



0300 200 3300

understanding your payslip.

understanding your payslip.

Payments			Deductions			Description	Units	Amount
Description	Units	Amount	Description	Units	Amount			
Salary		2500.00	Tax paid		265.50	Salary		2500.00
Pension		-125.00	Employee NIC		125.00			
Total Payments		2375.00	Total Deductions		454.82			
	Gross Pay	Taxable Pay	Tax	EE's NIC	Pension	AVC		
This Period	2375.00	2375.00	265.50	205.60	125.00			
To date	7125.00	7125.00	796.50	616.18	375.00			
					Net Pay	1903.90		

understanding your payslip.

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Employee NIC	205.60

understanding your payslip.

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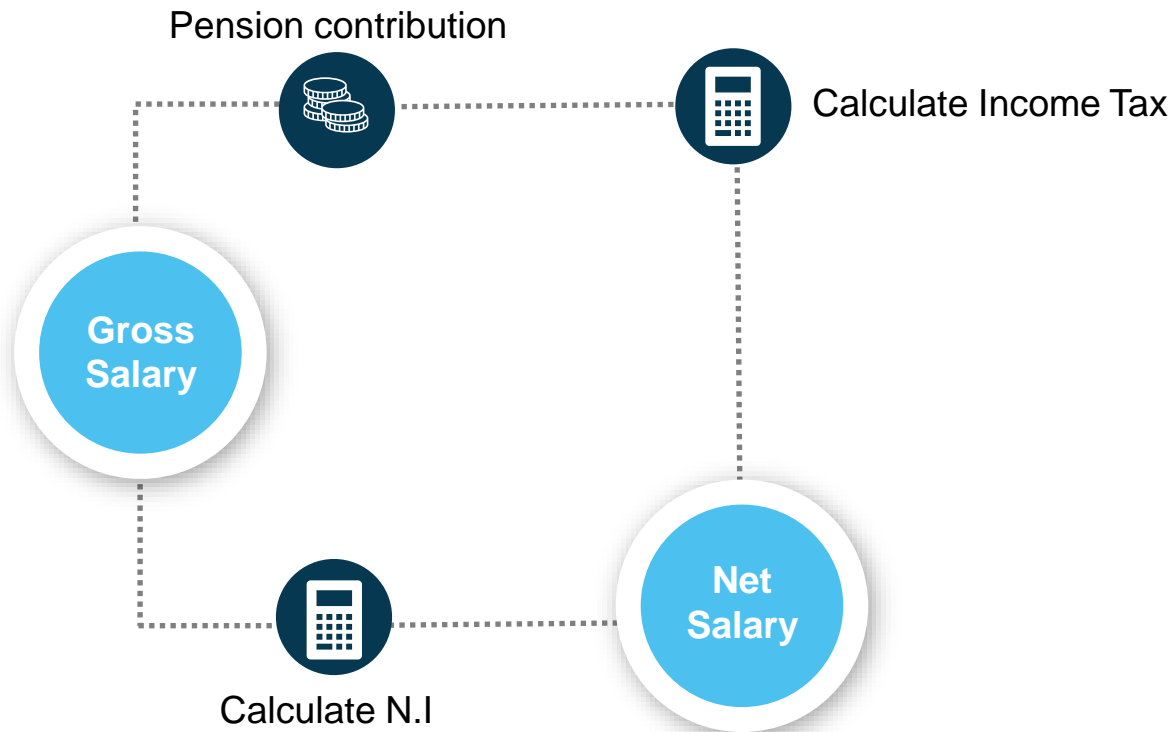
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understanding your payslip.

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pension tax relief.



You save:

Basic-rate
Taxpayers
up to **20%***

Higher-rate
Taxpayers
up to **40%***

* Tax relief on pension contributions is limited to the greater of 100% of relevant earnings and £3,600.

Salary Exchange.



You save:

**Basic-rate
Taxpayers**
up to **33.25%***

Saving made up of:

- 20% income tax, &
- 13.25% National Insurance

**Higher-rate
Taxpayers**
up to **43.25%***

Saving made up of:

- 40% income tax, &
- 13.25% National Insurance

* Tax relief on pension contributions is limited to the greater of 100% of relevant earnings and £3,600.

tax allowances.

tax-free childcare.

- Receive a government contribution of £20 for every £80 you contribute
- Subject to a maximum of £8,000 per child (£2,000 government contribution)
- You can use it to pay for approved childcare
- It's not available if you or your partner have taxable income over £100,000



www.childcarechoices.gov.uk



tax limits.

HMRC limits the tax efficiency offered by pensions in two ways:

The annual allowance (AA)

- Limits the amount of pension savings each year before triggering a tax charge

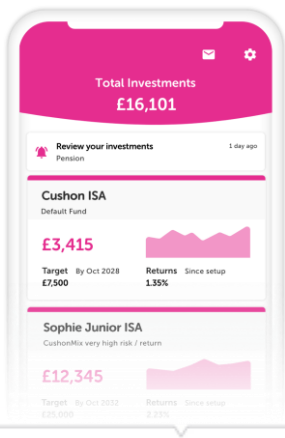
The lifetime allowance (LTA)

- Limits the total value of your pension savings, before triggering a tax charge
- Usually applies when you begin taking pension benefits



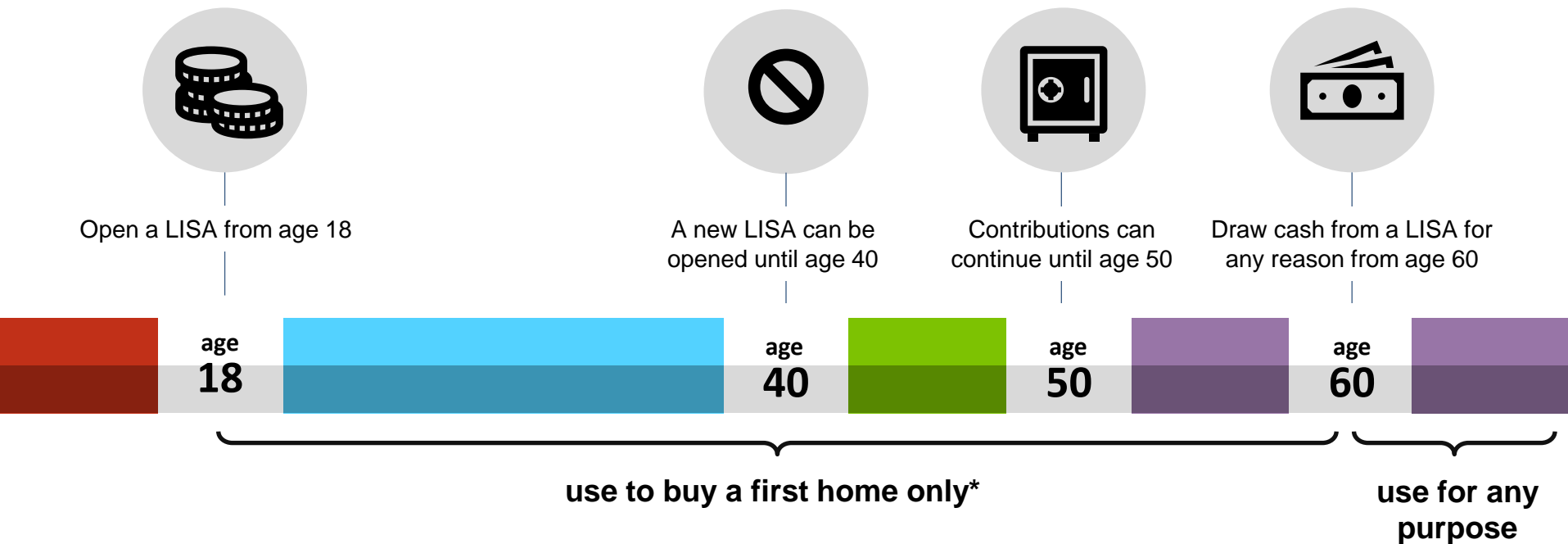
ISA.

- An ISA protects your savings from taxation
- Interest and dividends are tax free
- Growth is free of Capital Gains Tax
- Current allowance is £20,000
- Workplace ISA via cushion



lifetime ISAs.

- Contribute up to £4,000 per annum
- Receive a 25% bonus on all contributions



*Withdrawals for any other reasons incur a 25% penalty charge except in the case of terminal illness.

personal savings allowance.



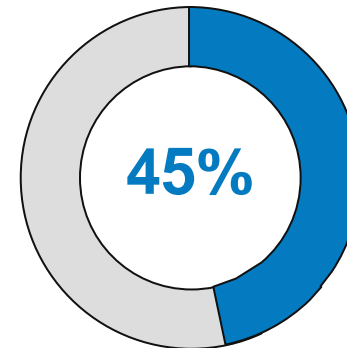
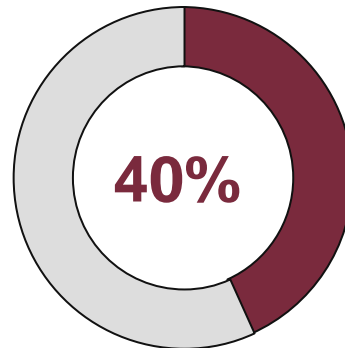
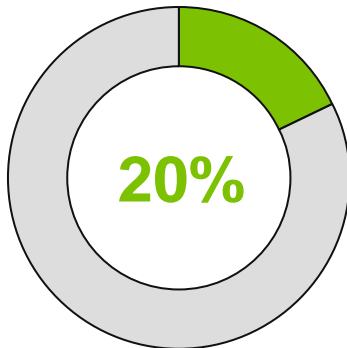
Basic Rate



Higher Rate

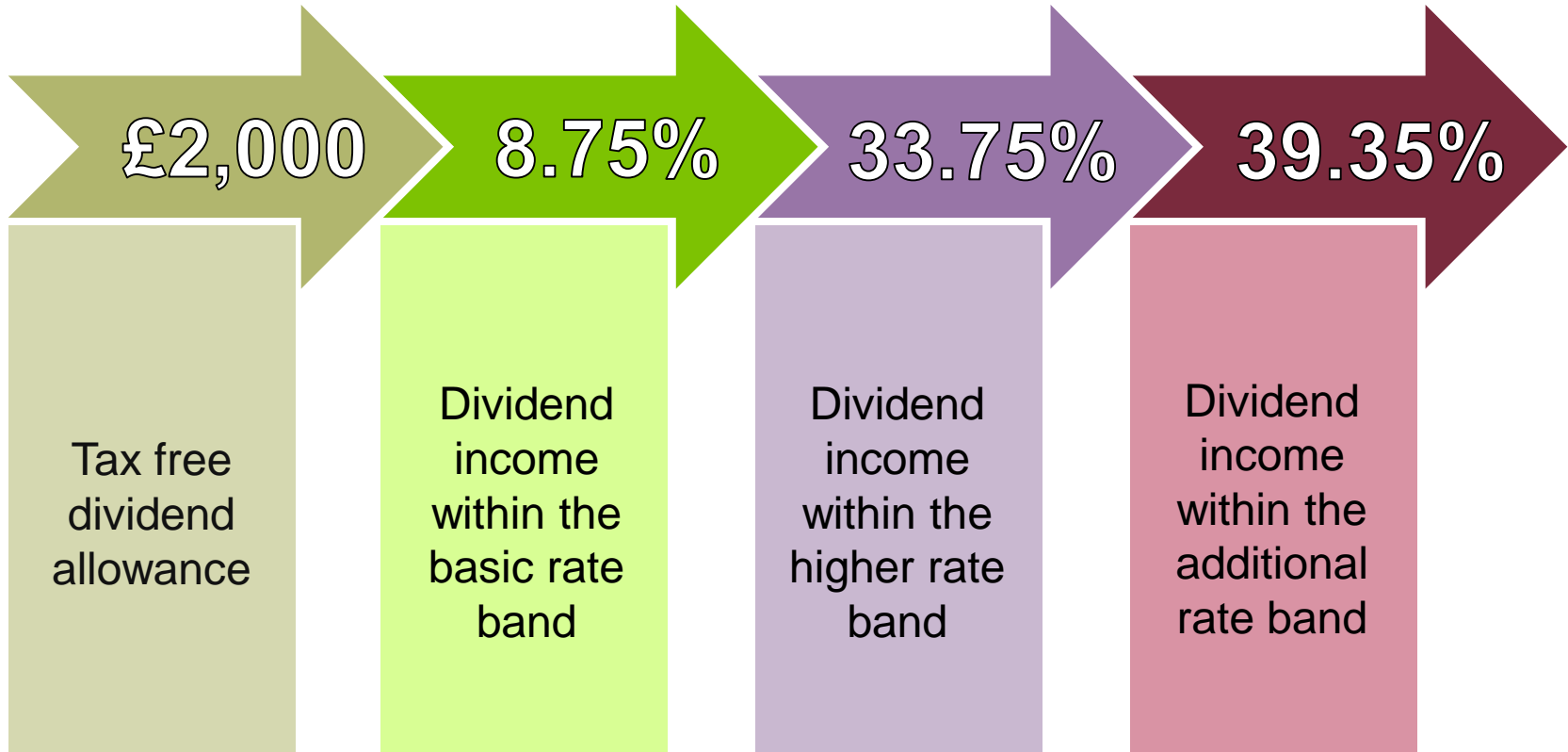


Additional Rate



The Personal Savings Allowance is based on UK income tax rates and not Scottish income tax rates

dividend tax.



The Dividend Allowance is based on UK income tax rates and not Scottish income tax rates

tax on your estate.

inheritance tax (IHT).

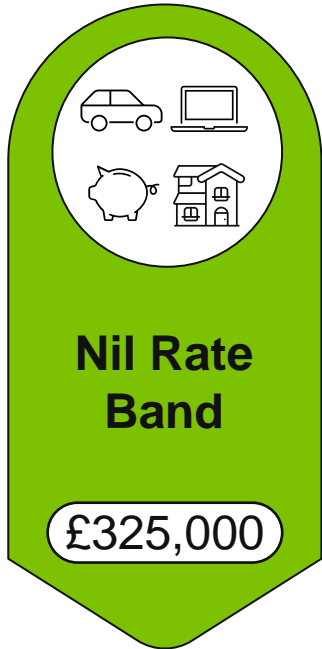


HMRC apply IHT to your worldwide assets if your permanent home ('domicile') is in the UK



If your permanent home ('domicile') is abroad, IHT is only paid on your UK assets (e.g. property or bank accounts you have in the UK)

inheritance tax (IHT).



Nil Rate Band

£325,000

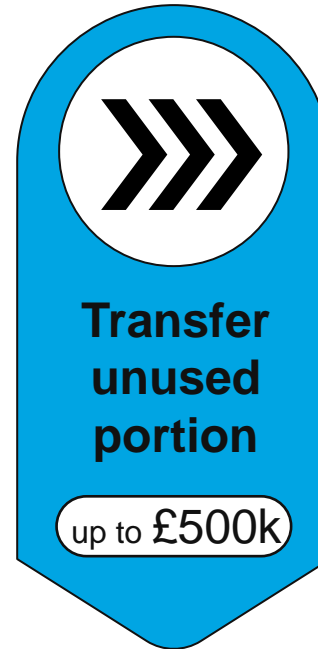
Applied to any part of an estate that is chargeable to IHT



Residence Nil Rate Band

£175,000

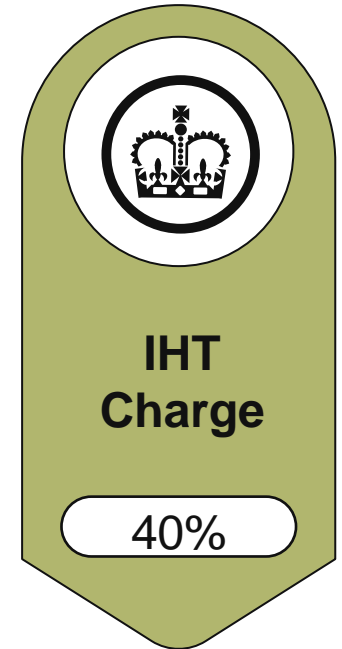
Only applied to a home that is left to a direct descendant



Transfer unused portion

up to £500k

A couple could potentially pass on up to £1m before IHT becomes due*

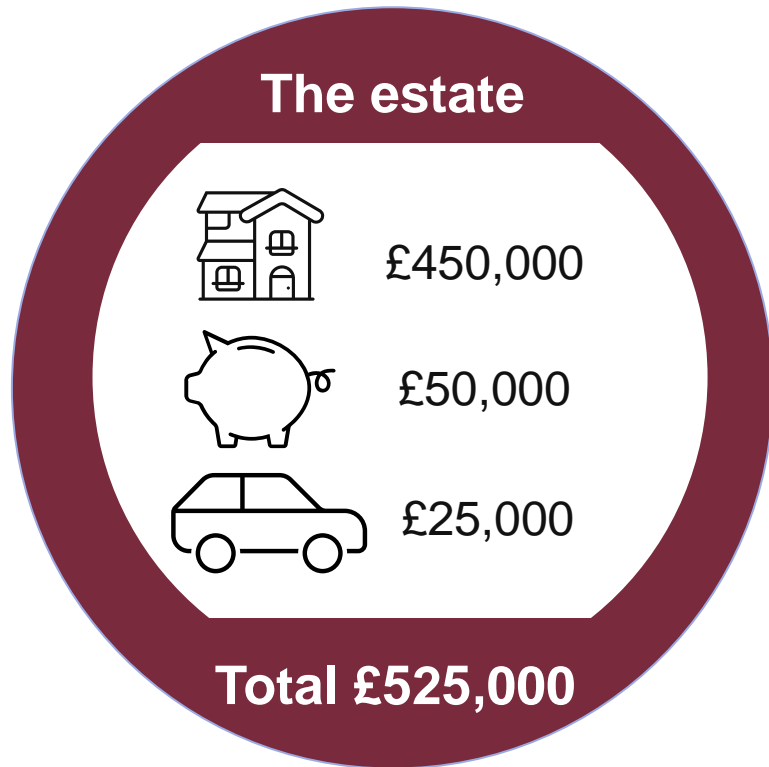


IHT Charge

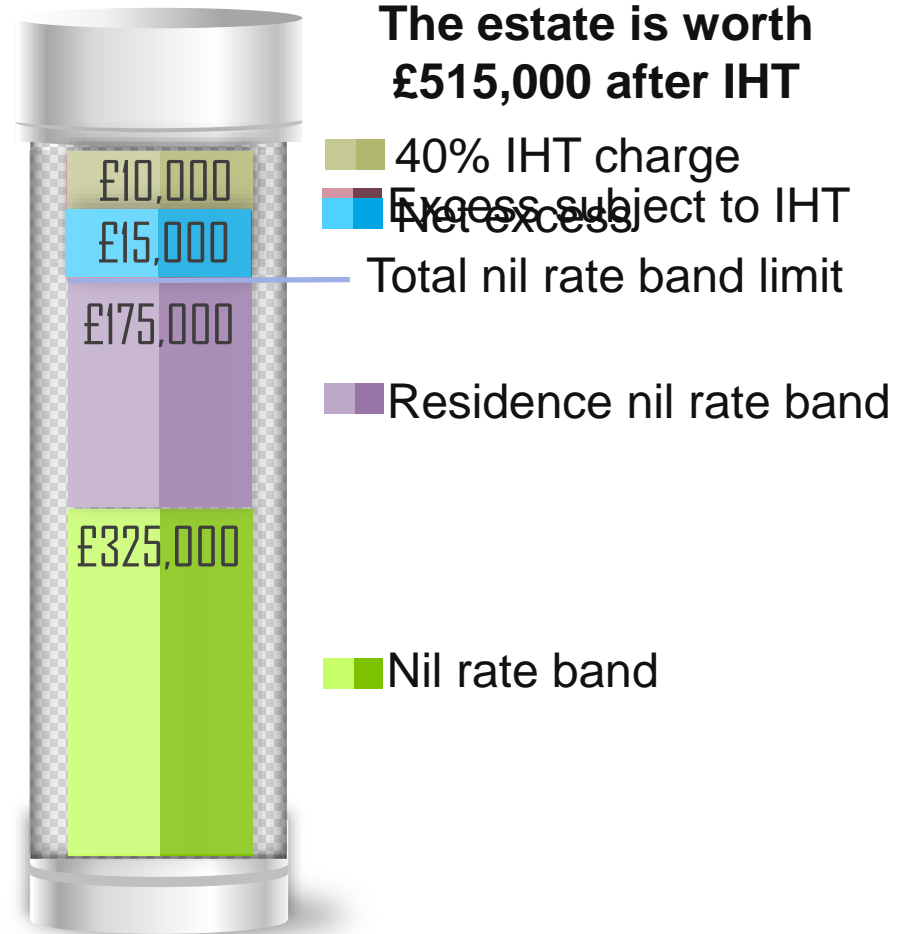
40%

* A couple in this context is a spouse or civil partner

inheritance tax (IHT) - example.



The estate is being passed to a direct descendant



gifts during your lifetime.

There are certain gifts that can be made during your lifetime that are immediately exempt from any Inheritance Tax charge. These include:

**Exempt
From
IHT**



An annual exemption of £3,000 (carry forward over 1 year is permitted)



Small gifts up to the value of £250



Regular gifts or payments that are part of your normal expenditure out of income



Gifts to a spouse or civil partner

potentially exempt transfers.

Other gifts made whilst alive may become exempt after a period of time has passed.



Outright Gift

The donor must give up all interest in the gift



Failed PET

The donor must survive 7 years from the date the gift was made



7 Years

After 7 years the gift is exempt from IHT

gifts during your lifetime.

 2020

Sally makes
a cash gift
of £300,000



 2027

survival date for
the gift to be
excluded from her
estate

2020

2021

2022

2023

2024

2025

2026

2027

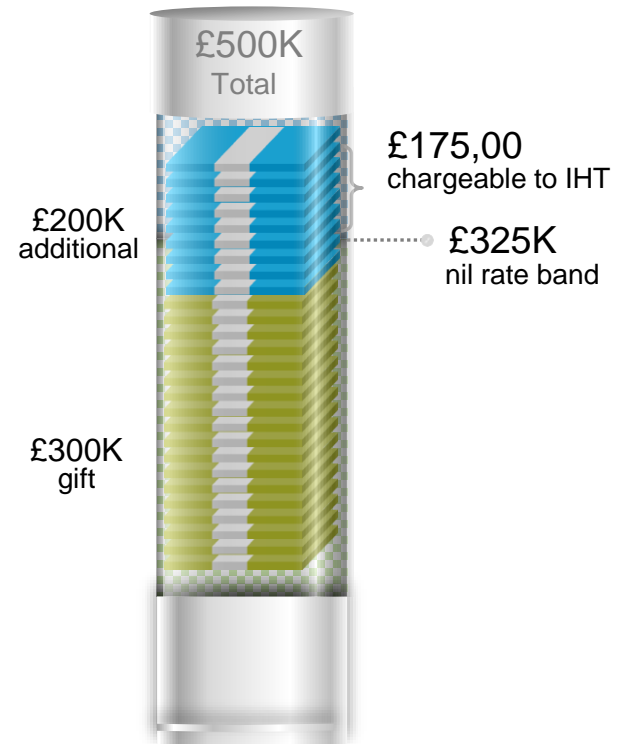
 2024

Sally dies - leaving
an additional
£200,000 but no
house



gifts during your lifetime.

- The gift forms part of the nil rate band
- The remaining estate is then added
- IHT applies to £175,000*
- 40% of £175,000 = £70,000



*Example assumes a home does not form part of her estate.

seeking advice.

- Regulated financial advice can provide you with the most suitable course of action relating to a wide range of financial needs.
- It is important that you take steps to ensure you are dealing with genuine firms/individuals and that they are authorised to provide advice in the areas you require.
- A list of regulated financial advice firms can be found here:
<https://register.fca.org.uk>



See more about the financial services register on the next slide

the financial services register.

- Under each firm listing there is a section titled 'activities and services' – this details the types of services the firm are regulated to provide.
- Each firm has a regulatory responsibility to ensure Advisers working for them are deemed appropriate for the role – the firm can provide you with a list of their regulated Advisers.
- The FCA are publishing a Directory detailing all regulated advisers, which will then enable you to independently verify any individuals you are dealing with.

Contents

Who is this firm?

How are customers protected?

What can this firm do in the UK?

Restrictions

Activities and services

Who is involved with activities at this firm?

Who is this firm connected to?

contact us.

We provide a telephone helpline and a regulated financial advice service through **my wealth** - a trading name of Wealth at Work Limited which is a member of the Wealth at Work group of companies.

It helps individuals to understand their personal financial situation especially when selecting their retirement income options.

- Telephone **0800 028 3200**



thank you.

0800 028 3200

www.wealthatwork.co.uk/mywealth

WEALTH at work

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